

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01
OPIC-03 XMB-02 /098 W
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R 201845Z DEC 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4190
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 21351

E.O. 11652: GDS
TAGS: EFIN, GW
SUBJECT: VIEWS OF FINANCE MINISTRY STATE SECRETARY
POEHL ON INTERNATIONAL AND DOMESTIC
ECONOMIC SITUATION

1. SUMMARY. IN THE COURSE OF MY INITIAL CALL ON
FINANCE MINISTRY STATE SECRETARY POEHL ON DECEMBER 20,
HE EXPRESSED REASONABLE OPTIMISM REGARDING THE OUTLOOK
FOR THE UK, PESSIMISM REGARDING ECONOMIC DEVELOPMENTS
IN FRANCE, REASONABLE OPTIMISM REGARDING THE GERMAN
ECONOMY AND WELCOMED THE PROSPECT OF FURTHER
STIMULATION OF THE US ECONOMY. HE FELT THAT AN
ECONOMIC SUMMIT EARLY IN THE CARTER ADMINISTRATION
WOULD BE MOST USEFUL. END SUMMARY.

2. UK:
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POEHL WAS REASONABLY OPTIMISTIC REGARDING THE UK'S
ECONOMIC OUTLOOK POINTING IN PARTICULAR TO THE
ACCEPTANCE OF A REAL WAGE DECREASE BY THE TRADE
UNIONS IN THE CURRENT SOCIAL CONTRACT AND THE BALANCE
OF PAYMENTS EFFECTS OF NORTH SEA OIL. HE SAID THAT

HE WAS SATISFIED REGARDING THE OUTCOME OF THE IMF NEGOTIATIONS AND HOPEFUL THAT SOMETHING ACCEPTABLE COULD BE WORKED OUT ON THE STERLING BALANCES FOR PSYCHOLOGICAL AND POLITICAL REASONS. HE COMMENTED THAT THE WAY THE BRITISH HAD CONDUCTED THE NEGOTIATIONS HAD BEEN VERY BAD AND HE PARTICULARLY RESENTED THE WAY THEY HAD USED POLITICAL PRESSURE.

3. FRANCE:

POEHL SAID THAT HE WAS EVEN MORE WORRIED ABOUT FRANCE THAN THE UK. FRANCE WAS RUNNING VERY LARGE TRADE DEFICITS AND WITH GREAT SKILL FINANCING THEM SILENTLY BY TAKING UP CREDIT. SO FAR, CONFIDENCE HAD HELD UP REMARKABLY, BUT AS A CHANGE IN GOVERNMENT MIGHT BECOME MORE AND MORE LIKELY THIS CONFIDENCE COULD QUICKLY COLLAPSE. SHOULD THIS OCCUR, POEHL FELT FRANCE WOULD NOT BE WILLING TO SEEK AN IMF OR OTHER INTERNATIONAL CREDIT. NOR WOULD SHE BE WILLING TO ACCEPT FURTHER LARGESCALE DEPRECIATION OF THE FRANC. INSTEAD, FRANCE WAS MUCH MORE LIKELY TO RESORT TO MASSIVE TRADE RESTRICTIONS AND CAPITAL CONTROLS.

4. GERMANY:

POEHL WAS RELAXED REGARDING THE GERMAN ECONOMIC SITUATION. GROWTH WOULD BE SLOW, BUT THERE WOULD NOT BE A SLIDE INTO A NEW RECESSION. HE COMMENTED THAT WHILE A LITTLE MORE STEAM IN THE GERMAN ECONOMY WOULD BE DESIRABLE, IT WAS DIFFICULT TO SEE HOW IT COULD

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 21351

BE PROVIDED. GOVERNMENT DEFICITS WERE VERY HIGH AND
COULD NOT BE SIGNIFICANTLY INCREASED WITHOUT
ENDANGERING CONFIDENCE. INTEREST RATES WERE LOW
AND WOULD FALL SOMEWHAT FURTHER NEXT YEAR.

5. U.S.:

POEHL WELCOMED SOME FURTHER STIMULATION OF THE US ECONOMY
WHICH HE FELT WOULD EASE EVERYONE ELSE'S PROBLEMS.

6. ECONOMIC SUMMIT:

POEHL SAID THAT HE PERSONALLY THOUGHT AN ECONOMIC
SUMMIT EARLY IN THE CARTER ADMINISTRATION WOULD BE
AN EXCELLENT IDEA. HE HAD HAD A HAND IN PREPARING
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BOTH THE RAMBOUILLET AND THE PUERTO RICO SUMMITS
AND WAS CONVINCED OF THE VERY REAL VALUE OF THE
INFORMAL, PERSONAL CONTACT AND CONCENTRATION ON
INTERNATIONAL ECONOMIC PROBLEMS AND COORDINATION
BY THE HEADS OF STATES AND GOVERNMENTS. IN RESPONSE
TO MY QUESTION, HE SAID THAT WHILE THE JAPANESE
UNDOUBTEDLY WOULD LIKE TO HOLD THE NEXT SUMMIT IN
TOKYO HE FELT THAT A LOCATION IN THE UK WOULD BE
MORE CONVENIENT FOR ALL CONCERNED.
STOESSEL

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